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ABSTRACT

A survey of superintendents and principals in 91 percent of South Dakota school districts examined the extent and nature of nontraditional funding acquired by high schools, and administrator attitudes toward this funding. Sources of funding were categorized as donor sources (cash or other donations from individuals or organizations); enterprise sources, such as leasing of school services or facilities to other school districts or organizations; and cooperative sources, such as shared programs or facilities. Superintendents and principals agreed that over half of nontraditional revenues were obtained from shared programs with other districts, cash gifts, and activity fund-raisers, but differed in their estimates of the amounts received from these sources and their relative importance. Estimates suggest that nontraditional revenues accounted for 2.7-5.9 percent of per pupil spending in 1991-92. However, superintendents indicated that they were generally undecided about the current status of nontraditional funding; that they did not have the time to pursue such funding sources; that districts and school boards had no plans to solicit such funding; and that factors facilitating or impeding solicitation of nontraditional revenues were related to the presence or absence of community support and partnerships between the public and private sectors. Younger administrators held more positive attitudes about nontraditional funding than did older administrators. School size was positively related to per-pupil nontraditional revenues received. Includes 4 tables and 11 references. (SV)

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# Non-Traditional Sources of Revenue for High Schools: South Dakota's Experience in the Private Sector

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# Non-Traditional Sources of Revenue for High Schools: South Dakota's Experience in the Private Sector

## Introduction

As school districts face increased competition for the tax dollar, school principals must take advantage of opportunities to supplement their general funds. A major problem facing school districts is how to get money at a time when it appears that the general public is not inclined to raise taxes or to have a larger portion of the "financial pie" earmarked for education.

A large number of school districts are seeking private sources of revenue as a way to maximize their revenue capacity. Wood (1990) indicated that public school districts cultivate new non-traditional funding sources in order to maintain or expand their services within their respective communities. Swanson and King (1991) contended that private sources of revenue could also provide the funds vital to restructuring and modernization programs. Non-traditional funding sources provide many, but not all school districts with the opportunity to supplement school funds with additional sources of revenue that are not derived from taxation at local, state, or national levels. Table 1 shows the three categories of non-traditional revenues identified by Meno (1984) as well as types of revenues assigned to each category.

Table 1

## Sources of Non-Traditional Funding*

| DONOR | ENTERPRISE | COOPERATIVE |
|---|---|---|
| | | **Local Agencies** |
| 1. Cash gifts from individuals | 1. Leased services to other school districts or organizations | 1. Shared programs with other districts |
| 2. Real Property from individuals | 2. Leased facilities to other school districts or organizations | 2. Shared activities with other districts |
| 3. Private foundation grants | 3. User fee payments (community education, drivers education, etc.) | 3. Cooperative programs with universities |
| 4. Coporate gifts | 4. Rental of school facilities or equipment | 4. Programs or activities sponsored by service clubs or organizations |
| 5. Gifts from non-profit organizations | 5. Sale of school access (vending machines, advertising, etc.) | **Governmental Agencies** |
| 6. Donated services | 6. Sale/lease back arrangements | 1. Joint facility maintenance programs with city, county (property, equipment, etc.) |
| 7. Donated supplies | | 2. Joint use of buses |
| 8. Donated equipment | | 3. Joint use of athletic facilities or swimming pool |
| 9. Fundraiser to support an educational program | | **Business and Industry** |
| 10. Fundraiser to support an extra-curricular activity | | 1. Work study programs |
| | | 2. Youth job placement programs |
| | | 3. Career guidance |

* (Meno, 1984)

Although a growing number of school districts desire non-traditional sources of revenue to maintain certain programs or to meet the growing demand for services, some districts and schools are more successful than others in soliciting revenue. This research project provides information that might enable school administrators to compete more effectively for these types of revenue by (a) examining the extent and nature of non-traditional resources acquired by high schools in South Dakota, (b) examining attitudes of superintendents and high school principals toward non-traditional revenue enhancement, and (c) comparing this information about attitudes with their reports of actual practices in securing additional money for high schools.

## The Setting for the Study

Fiscal conditions in South Dakota may have encouraged school administrators to seek alternative revenue. During the decade from 1980-1990 South Dakota property taxes increased by 67.4% (ASBSD Bulletin, September 17, 1993). In 1989 the South Dakota Legislature passed a two year tax freeze. School districts were not allowed to levy any additional property taxes payable in 1990 and 1991 than the amount of tax dollars levied payable in 1989. Faced with declining enrollments, inadequate funding, increasing demands for service, tax limitation initiatives, state and federal mandates, and demands for accountability, South Dakota school districts are facing financial difficulties not unlike those encountered by districts nationwide.

The survey respondents (76% of the superintendents and 63% of the principals for an overall response rate of 70%) represented over nine-

tenths (91%) of South Dakota school districts. The population's respondents were classified by personal characteristics that included gender, age, level of education, length of time in education, length of time in administration, and length of time in current position. District characteristics selected for the study included high school enrollment, population density, state revenue per ADM, local revenue per ADM, and cost per pupil expenditures.

## Reported Success in the Private Sector

Survey respondents were asked to designate the source and estimate the amount of revenues received at the high school level in the three categories defined by Meno (1984). Table 2 shows the frequency of activities within the categories as reported by superintendents and principals.

Table 2

**Extent of Non-Traditional Resources Solicited by South Dakota High Schools**

| | SUPERINTENDENTS | | | PRINCIPALS | | |
|---|---|---|---|---|---|---|
| | | # | % | | # | % |
| Donor Activities | Activity Fundraisers | 79 | 64 | Activity Fundraisers | 63 | 69 |
| | Cash Gifts | 44 | 36 | Ed. Program Fundraisers | 29 | 32 |
| | Donated Services | 41 | 33 | Cash Gifts | 25 | 27 |
| Enterprise Activities | Equipment/Facility Rentals | 68 | 55 | Equipment/Facility Rentals | 33 | 36 |
| | Sale of Access | 38 | 31 | Sale of Access | 26 | 28 |
| | User or Fee Payments | 22 | 18 | User or Fee Payments | 15 | 16 |
| Co-Op Activities | Shared Programs with Districts | 50 | 40 | Youth Job Placement | 26 | 28 |
| | Youth Job Placements | 39 | 32 | Shared Programs | 24 | 26 |
| | Shared Activity Programs | 30 | 24 | Joint Use of City Facilities | 13 | 14 |

Note: Only the three activities receiving the highest proportion of responses within each category are reported.

Responses of superintendents differed somewhat from those of principals. Superintendents reported activity fundraisers, equipment/facility rentals, and shared programs with other districts to be the most often received resource, whereas principals listed activity fundraisers, equipment/facility rentals, and educational program fundraisers.

Superintendents and high school principals were also asked to provide their best estimate of the financial gain to their respective districts using the Meno model for categorizing non-traditional revenues. The amount of revenue reported by superintendents ($4.7 million) as received during the 1991-92 school year by South Dakota high schools was nearly double that reported by high school principals ($2.4 million). Table 3 shows the sub-categories in which superintendents and principals reported the largest amounts of revenues received.

Table 3

**Amount of Non-Traditional Resources Received by South Dakota High Schools**

| | SUPERINTENDENTS | | PRINCIPALS | |
|---|---|---|---|---|
| Activity | Reported Received | Percent of Total | Reported Received | Percent of Total |
| Shared Programs With Other Districts | $1,278,921 | 27 | $ 387,600 | 16 |
| Cash Gifts | $ 769,350 | 16 | $ 478,750 | 20 |
| Activity Fundraisers | $ 483,850 | 10 | $ 417,900 | 18 |
| Total Amount Reported | $2,532,121 | | $1,284,250 | |

Superintendents and principals indicated the same sources, but they differed in estimates of the proportion received from each activity. While superintendents reported that the majority of non-traditional revenues came from shared programs with other districts (27%), cash gifts (16%), and activity fund raisers (10%), principals reported major sources of non-traditional revenue as cash gifts (20%), activity fund raisers (18%), and shared programs with other districts (16%). Despite the slight discrepancy in reports of proportions received through these activities, more than one-half of all non-traditional revenues came from these sources. These three sources provided 53 % of the non-traditional revenues reported by superintendents and 54% of the revenues cited by principals.

Attitudes of Superintendents and Principals toward Non-traditional Revenue for High Schools

Superintendents and principals responded to a series of statements with regard to obtaining revenues for high schools from the private sector both now and in the future. Superintendents generally were undecided about the current status of non-traditional funding received by South Dakota high schools. They felt or strongly felt that they did not have the time to pursue these sources of funding, that districts did no actively plan to solicit these types of revenues, and that school boards did not discuss nor plan for seeking revenues from the private sector. However, they believed that private sector revenues hold some promise for the future. Superintendents tended to agree that non-traditional funding would become a viable source of revenue in the future. They also felt that they would have to become more knowledgeable about these sources of funding and that marketing their respective high schools would increase their chances of success in the

private sector. Superintendents tended to believe that their school boards and communities would be supportive of their efforts. They tended to think that their school board would adopt policies with respect to the solicitation of non-traditional revenues and that short range planning for the acquisition of these funds would become a practice. Superintendents felt that developing non-traditional revenue sources should be a topic for initial leadership courses at colleges and universities.

High school principals generally followed the lead of the superintendents with respect to what was currently happening in high schools and what they perceived would happen in the future. However, principals felt that they neither possessed the knowledge that would allow them to compete for funding in the private sector, nor did they have the responsibility to initiate interactions with the private sector. Interestingly, they did feel that the leadership of the principal was a major factor in soliciting non-traditional revenues, but their beliefs about what was currently occurring in high schools differed from superintendents' beliefs in three areas.

Principals expressed the belief that high schools would become more dependent on a combination of public and private support, whereas superintendents were not sure that this would occur. Superintendents exhibited stronger agreement that principals with respect to obtaining knowledge to compete for funding, gaining the support of their communities, and providing leadership for soliciting future revenue.

A list of the conditions or factors that represent barriers to the solicitation of non-traditional revenues was compiled from the literature. Superintendents and principals generally agreed on those factors that impeded their respective high schools. Superintendents felt that economic

conditions, lack of community support, and lack of time to develop resources were the greatest liabilities to their districts. They also agreed that school board opposition, lack of knowledge of public/private sector benefits, lack of common goals between the public and private sectors, and a failure to create lasting relationships represented barriers to revenue enhancement. Principals rated lack of time, economic conditions, and lack of knowledge of public/private sector benefits as their most difficult barriers to overcome.

When asked to respond to a similar set of conditions representing facilitators for non-traditional revenue enhancement, superintendents cited factors such as community support, civic pride or boosterism, economic conditions, board encouragement, fiscal benefits, common goals between public and private sectors, geographic location, board policies, and knowledge of public/private sector benefits as major contributors to their reported receipts of non-traditional revenues. Principals listed similar factors, favoring civic pride or boosterism, community support, economic conditions, common goals between public and private sectors, and fiscal benefits.

Relationships Between Respondent and District Characteristics and Attitudes

Pearson correlation coefficients were used for statistical comparisons between personal and district characteristics and beliefs. Younger administrators tended to believe that non-traditional revenues are a viable method of revenue enhancement ($p < .01$). These administrators also believed ($p < .01$) that schools would become increasingly dependent on these sources of revenue. On the other hand, more experienced educators

reported accepting a high level of responsibility for initiating interaction with the private sector. District characteristics revealed no strong relationships when compared with the beliefs of superintendents and principals.

Correlations also revealed significant relationships existing when respondent characteristics (age, levels of education, and length of time spent in education) were compared to perceived barriers and enhancers. Younger administrators tended to believe ($p < .05$) that school boards would become more supportive of activities that increased revenues from the private sector in the future. They also indicated ($p < .01$) a willingness to modify current practices in order to increase benefits.

The level of education reported by school administrators was positively related to the time available ($p < .05$) to develop resources and to the belief that fiscal benefits ($p \leq .01$) facilitated the acquisition of non-traditional revenues. Administrators who held higher academic degrees tended to rate these enhancers higher.

The length of time in education was positively related ($p < .01$) to three factors or conditions that represented barriers to the acquisition of non-traditional revenues. As their length of time spent in education increased, administrators tended to agree that the lack of time to develop resources, the lack of common goals between the public and private sectors, and the failure to create lasting relationships became more difficult barriers. More experienced educators also tended to believe ($p < .01$) that opportunities to increase revenues were equal between high schools in the state.

## Relationships Between Personal and District Characteristics and Amounts Received

The correlation coefficients between personal characteristics and amounts reported to be received were not significant but were directional. For example, in most cases a larger amount of revenue was reported to be received by administrators who are older and more experienced. This was not true in the case of the amount of time spent working in the field of education.

Table 4 compares the relationship of selected characteristics of school districts to the reported non-traditional revenues. High school enrollment was the only characteristic found to be significant at the .01 level. However, the coefficient was very small and only 6% of the variance in money reported can be attributed to school size. Regardless, the larger the school, the larger the dollar amount of reported funds available to high schools on a per pupil basis.

Table 4 **Relation of Amounts Received to District Characteristics**

| District Characteristic | (n) | Pearson (r) |
|---|---|---|
| High school enrollment | 209 | 0.24697[a] |
| ADM density per square mile | 209 | 0.06392 |
| State revenue per pupil | 209 | - 0.12489[c] |
| Local revenue per pupil | 209 | 0.01675 |
| Spending per pupil | 209 | - 0.11986[c] |
| Taxable valuation per ADM | 209 | - 0.06387 |

a = p < .01
b = p < .05
c = p < .10

The negative correlation for state revenue indicated that higher amounts of non-traditional revenues tended to be associated with lower amounts of state revenues received. Total spending per ADM was negatively related to non-traditional revenue received at the .10 level, indicating that districts which acquired larger amounts of non-traditional revenues also spent less on the education of their students.

Conclusions and Recommendations

South Dakota high schools benefit to some degree by the acquisition of revenues from non-traditional sources in that they are moderately successful in obtaining these revenues. The average cost of educating a student in South Dakota during the 1991-92 school year was $3601. Principals reported receiving an estimated $98.70 per pupil in non-traditional revenues and superintendents estimated an even larger $213.13 per pupil. It appears that non-traditional revenues accounted for between 2.7% to 5.9% of the per pupil cost of education in 1991-92. The amounts acquired by high schools are large enough, and the attitudes of high school principals and superintendents are sufficiently positive, to encourage administrators to pursue private sector support more actively.

Given this large discrepancy in amounts of revenues reported to be received by superintendents and principals it seems reasonable to suggest that principals should play a greater role in school finance. Several principals who responded in written form to the request for estimations of revenues referred to the lack of communication between the district office and the principal's office. Five principals commented that funds of this nature are handled by the central office. Another five indicated they could

not estimate the amounts received. As one principal put it, "I don't know, but some does occur."

MacAllister (1990) and Mann (1986) urged principals to assume a more active role in interacting with the private sector. The data in this study indicate that superintendents and principals should also work with school boards to cultivate these sources of revenue. This dialogue with school boards might begin with the development of guidelines for the acceptance or rejection of private sector contributions to high schools. A small proportion of the superintendents and principals indicated a disagreement with current board policies regulating the solicitation of revenue or the absence of the same. Some of the administrators indicated a willingness to modify practices in order to increase cooperative activities with the private sector or to increase revenues. It should be clearly spelled out what forms of giving are unacceptable, what forms are conditionally acceptable, and what forms are unacceptable (Hammack, 1984).

The Meno model appears to be adequate for categorizing and estimating non-traditional sources of revenue for high schools. Most superintendents and principals in the study indicated receipts in all categories. Superintendents utilized the "Other Sources" category only 6 times and principals utilized it 5 times. In evaluating the written explanations for the 11 incidences of "other" responses, all but one of these sources fit one of Meno's categories. For example, the $50,000 reported for bleachers purchased by the local booster club in one district was listed under "Other Donor" activities, yet Meno includes a category for gifts from non-profit organizations. On the other hand, there was no category that fit the one high school's receipt of a $10,000 share of a neighboring city's sales tax for support of education. Perhaps with a more frequent use of the model,

such as would occur under the first recommendation that follows, a clearer understanding of the categories would be reached.

This model could be a useful guide for school districts and state departments of education to track actual amounts of non-traditional revenues received by school districts. Revenue source codes could be expanded to identify all sources of additional non-traditional revenue. It is generally not possible to validate the sources of non-traditional revenue using current state codes (i.e., the current revenue source code in South Dakota does not differentiate between revenues from foundations, private individuals, or private organizations). A consistent use of the same method of measurement will enable administrators and school boards to determine if the acquisition of non-traditional revenues is increasing, decreasing, or remaining constant. It would also enable schools and districts to compare their success with experiences of other similar units.

As noted previously, principals' reports of success differed greatly form those of superintendents in this South Dakota study. A telephone survey or on-site interviews should be conducted in order to determine why the total amount of revenue reported by superintendents nearly doubled the amount estimated by principals. Such a study could clarify the leadership roles of superintendents and principals with respect to responsibility for initiating interaction with the private sector.

This study did not probe the attitudes of the various groups that provide non-traditional revenues to public school districts. The motivation for giving has been examined in terms of corporations and businesses (Mann et. al., 1987a), but this has not been studied from the point of view of the largest group of givers, single individuals. South Dakota superintendents and principals reported that almost one-fifth (i.e., 17% and 21% ) of their

donor revenues came from cash gifts or from real property gifts by individuals. Interviews with current and potential donors, as well as those of businesses and community leaders, could assist in determining whether or not school districts could benefit by establishing development offices or assigning individuals to that task. One of the strongest beliefs reported by respondents to the survey was that they did not have time to cultivate these sources of revenue. Continued study of this topic might provide insight into the cost effectiveness of expanding the role of school administrators in this arena and provide additional information that may allow districts to be more successful in their pursuit of non-traditional revenues.

There is a role for professional associations and universities in helping school leaders to understand sources of non-traditional revenue and to share strategies that have proven successful in tapping these sources. Hentschke (1985) and Mark (1986) have suggested that formal methods of sharing information should be established to allow school administrators to exchange effective practices used to attract non-traditional revenues. Data from the survey indicated that many superintendents and principals felt that non-traditional revenues were a viable way to enhance existing budgets. Over 62% of the superintendents and principals agreed on the viability of these revenues for future income. Superintendents and principals also indicated a strong desire to learn about ways to compete for funding in the private sector.

Information about effective practices could be shared with other school administrators through newsletters, regional and state workshops, conferences sponsored by professional organizations, as well as through informal discussions and inservice programs within districts. In addition to these opportunities for inservice development of administrator skills, there

is a pre-service role for colleges and universities. Over one-half of the superintendents and principals in this study indicated that developing non-traditional revenue resources should be a topic for initial leadership courses. In particular, discussions of alternative revenue sources should be a part of school finance and business management course and students should experience public-private sector interactions in internships with principals and central office administrators.

If the funding of public schools is to be supplemented to a greater extent in the future, high school principals and superintendents will by necessity become more skilled in arranging cooperative activities, establishing enterprises, and securing donors. Although South Dakota administrators report varying degrees of success in acquiring non-traditional revenue, it is clear that the potential benefits (in the form of financial and political support for expanded school offerings) are worth the effort necessary to acquire them.

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